

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PUERTO RICO**

In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

THE COMMONWEALTH OF PUERTO RICO, THE
EMPLOYEES RETIREMENT SYSTEM OF THE
GOVERNMENT OF THE COMMONWEALTH OF
PUERTO RICO, AND THE PUERTO RICO PUBLIC
BUILDINGS AUTHORITY,

Debtors.¹

PROMESA
Title III

No. 17 BK 3283-LTS

(Jointly Administered)

**STATUS REPORT OF FINANCIAL OVERSIGHT
AND MANAGEMENT BOARD FOR PUERTO RICO
REGARDING PROPOSED DISCLOSURE STATEMENT SCHEDULE**

To the Honorable United States District Court Judge Laura Taylor Swain:

The Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), as Title III representative of the Commonwealth of Puerto Rico (the “Commonwealth”), the Employees Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”), and the Puerto Rico Public Buildings Authority (“PBA”, and collectively with the Commonwealth and ERS, the “Debtors”), pursuant to section 315(b) of the *Puerto Rico Oversight, Management,*

¹ The Debtors in these Title III Cases, along with each Debtor’s respective Title III case number and the last four (4) digits of each Debtor’s federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17-BK-3283- LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation (“COFINA”) (Bankruptcy Case No. 17-BK-3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority (“HTA”) (Bankruptcy Case No. 17-BK-3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”) (Bankruptcy Case No. 17-BK-3566-LTS) (Last Four Digits of Federal Tax ID: 9686); (v) Puerto Rico Electric Power Authority (“PREPA”) (Bankruptcy Case No. 17- BK-4780-LTS) (Last Four Digits of Federal Tax ID: 3747); and (vi) Puerto Rico Public Buildings Authority (“PBA”) (Bankruptcy Case No. 19-BK-5523-LTS) (Last Four Digits of Federal Tax ID: 3801) (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

and Economic Stability Act (“PROMESA”)², respectfully submits this status report (the “Status Report”) regarding the scheduling of consideration of a proposed disclosure statement.

Background

1. On February 9, 2021, the Oversight Board announced that, as a result of discussions led by the Mediation Team, the Oversight Board and the principal parties to the 2020 PSA had reached an agreement in principle regarding the terms of an amended plan of adjustment, subject to the negotiation and execution of definitive documentation.

2. On February 23, 2021, the Oversight Board announced the termination of the 2020 PSA and the execution of a new Plan Support Agreement, dated as of February 22, 2021 (the “PSA”), among the Oversight Board, as representative of the Commonwealth, ERS, and PBA, certain holders of GO Bonds, certain holders of PBA Bonds, Assured Guaranty Corp., and Assured Guaranty Municipal Corp., solely in their capacities as insurers, and asserted holders, deemed holders, or subrogees with respect to GO Bonds and PBA Bonds, Syncora Guarantee Inc., as holder of, subrogee with respect to, or insurer of GO Bond Claims and PBA Bond Claims, and National Public Finance Guarantee Corporation, solely in its capacity as insurer and asserted holder, deemed holder, or subrogee with respect to GO Bonds and PBA Bonds.

3. On March 8, 2021, the Debtors filed the *Disclosure Statement for the Second Amended Title III Joint Plan of Adjustment for the Commonwealth of Puerto Rico, the Employees Retirement System of the Government of the Commonwealth of Puerto Rico, and the Puerto Rico Public Buildings Authority* [ECF No. 15988] (the “Disclosure Statement”) and the *Second Amended Title III Joint Plan of Adjustment for the Commonwealth of Puerto Rico, the Employees*

² PROMESA is codified at 48 U.S.C. §§ 2101-2241.

Retirement System of the Government of the Commonwealth of Puerto Rico, and the Puerto Rico Public Buildings Authority [ECF No. 15976] (the “Plan”), consistent with the terms of the PSA.

4. At the March 10, 2021 omnibus hearing, the Court set April 21, 2021 as the deadline for the Debtors to file either a motion setting procedures for disclosure statement and plan confirmation proceedings, or a status report on its anticipated timetable. *See Minutes of Proceedings*, dated March 10, 2021 [ECF No. 16001].

Status Report and Timeline for Debtors’ Plan of Adjustment and Disclosure Statement

5. Since the March 10, 2021 omnibus hearing, and with the assistance and guidance of the Court-appointed Mediation Team, the Oversight Board has continued to garner support for a plan of adjustment, recently entering into that certain *Amended and Restated Stipulation (A) Allowing Claims of ERS Bondholders, (B) Staying Pending Litigation, and (C) Providing for Treatment of Claims of ERS Bondholders and Dismissal of Pending Litigation Pursuant to a Plan of Adjustment* (the “ERS Stipulation”) on April 2, 2021. The ERS Stipulation incorporates, among other things, the proposed treatment for ERS Bonds and was executed by representatives of ERS bondholders holding in excess of seventy percent (70%) of the outstanding ERS Bonds. In accordance with the ERS Stipulation, on April 5, 2021, the ERS Parties filed an *Urgent Joint Motion to Stay Certain Contested Matters and Adversary Proceedings Related to the Bonds Issued by the Employees Retirement System of the Government of the Commonwealth of Puerto Rico* [ECF No. 16321] (the “ERS Stay Motion”), which this Court granted pursuant to an order, dated April 12, 2021 [ECF No. 16385]. The Debtors will incorporate the terms of the ERS Stipulation in an amended Plan and Disclosure Statement

6. Furthermore, on April 12, 2021, the Oversight Board announced reaching an agreement in principle (subject to final documentation) with Assured Guarantee Corp., Assured

Guaranty Municipal Corp. (collectively, “Assured”), and National Public Finance Guarantee Corporation (“National”) regarding, among other things, the treatment of monies historically conditionally appropriated to certain Commonwealth instrumentalities (colloquially known as the “clawback claims”), which agreements will be incorporated into an amended Plan. To allow the parties to finalize documentation of the agreement in principle, the Oversight Board has extended the deadline set forth in Sections 7.1(g) and (h) of the PSA, the period in which Assured and National may terminate the PSA solely as to themselves, to April 22, 2021 at 5:00 P.M. (EDT).

7. To allow the Debtors to fulfill their obligations pursuant to the PSA and the ERS Stipulation, which contemplate the effective date of the Plan shall occur on or before December 15, 2021 (with conditional extension upon the occurrence of limited events), on April 6, 2021, the Oversight Board filed the *Debtors’ Joint Motion for an Order (I) Scheduling a Hearing to Consider the Adequacy of Information Contained in the Disclosure Statement, (II) Establishing the Deadlines for Filing Objections to the Disclosure Statement and Replies Thereto, (III) Approving Form of Notice Thereof, (IV) Establishing Document Depository Procedures in Connection Therewith, and (V) Granting Related Relief* [ECF No. 16332] (the “Scheduling Motion”), requesting, among other things, the Court set June 16, 2021 as the hearing to consider the adequacy of the information contained in the Disclosure Statement. Several parties have interposed objections or responses to the Scheduling Motion and the Court shall consider the Scheduling Motion and the relief requested at the April 28, 2021 omnibus hearing.

8. The Oversight Board intends to file, on or before April 27, 2021, an amended Plan and Disclosure Statement, together with motions requesting approval of the Disclosure Statement, as it will be amended, and the establishment of, among other things, solicitation procedures, the confirmation schedule, and discovery procedures in connection with the confirmation process. In

such motions, and in order to meet the milestones in the PSA and related agreements and to permit the Court to consider the issues which shall be presented, the Oversight Board shall request a confirmation hearing to begin on or about October 18, 2021 with an anticipated duration of approximately two weeks if conducted on a non-consensual basis.

Dated: April 21, 2021
San Juan, Puerto Rico

Respectfully submitted,

/s/ Brian S. Rosen

Martin J. Bienenstock (*pro hac vice*)
Brian S. Rosen (*pro hac vice*)
PROSKAUER ROSE LLP
Eleven Times Square
New York, NY 10036
Tel: (212) 969-3000
Fax: (212) 969-2900

Attorneys for the Financial Oversight and Management Board as representative for the Debtors

/s/ Hermann D. Bauer

Hermann D. Bauer
USDC No. 215205
O'NEILL & BORGES LLC
250 Muñoz Rivera Ave., Suite 800
San Juan, PR 00918-1813
Tel: (787) 764-8181
Fax: (787) 753-8944

Co-Attorneys for the Financial Oversight and Management Board as representative for the Debtors